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Roberts, George Evans

The unity of modern society

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THE UNITY OF MODERN SOCIETY

An address by

GEORGE E. ROBERTS, Vice-President
of
THE NATIONAL CITY BANK OF NEW YORK

Established in 1812

Delivered at the Dinner of
THE UNION LEAGUE CLUB OF CHICAGO
February 22, 1923
Upon the occasion of the Club's
THIRTY-SIXTH ANNUAL CELEBRATION
of the anniversary of the birthday of
George Washington

THE UNITY OF MODERN SOCIETY

An address by
George E. Roberts
Vice-President

February 22, 1923

THE NATIONAL CITY BANK OF NEW YORK

N.W.L. Aug. 13, '23.

The Unity of Modern Society

Mr. President and Gentlemen of the Union League Club of Chicago:

IT is a great honor to be invited to speak upon the occasion of the Union League's celebration of this day. The day is dedicated to the memory of him who was Chief among the fathers of the Republic, and to a re-examination of the principles upon which our institutions are based. These principles have stood the test of time and stress. They do not need to be vindicated, but they do need to be more widely understood by our growing population, and to be presented at frequent intervals as they have been this afternoon under the auspices of this Club.

It seems commonplace to refer to changes that have taken place since Washington's time, but some of them are of far-reaching importance in our social life. When Washington wrote his Farewell Address there was no Chicago, no teeming population in this Middle West or beyond. Ninety per cent of the population was getting its living from agriculture. It was a very simple society. As population increases, society inevitably becomes more complex. People must live more closely together, have more to do with each other and be more dependent upon each other.

I remember reading some years ago the autobiography of the late Senator George F. Hoar, of Massachusetts, and I recall his statement that in his boyhood years in Massachusetts industrial and social conditions were not very different from what they were in the village communities of Italy in the days of the Roman Empire. That is to say, he dated back to the time of hand tools and the household industries, before the general introduction of steam-power and power-driven machinery. Every local community was in large degree self-sufficient and independent, and industrial relations were easily understood. It is a far cry from the industries of that time to the industries of Massachusetts and Illinois

to-day, interlocked as they are in the industrial system of the world.

We have developed an intricate, highly-specialized industrial system, in which each of us does some one thing, which often has little direct relation to his own wants, and depends upon satisfying his wants by exchanging products and services with others. It is a wonderfully effective system when all in balance and running in order, but it is an interdependent system. It is like a great machine in which every part is dependent upon all the other parts.

Moreover, it is a great voluntary system, and its efficiency is largely dependent upon good understanding, good feeling and co-operation among all the groups and members that compose it, and that is not easily maintained. Emerson said that the real test of civilization was in "Facility of Association"—the ability of people to understand each other, get along together and work together for common purposes. Most of our troubles, it seems to me, are due to the fact that we have developed the industrial organization beyond the comprehension of the common man. He doesn't see the full workings of the system, he doesn't fully appreciate his own part in it or the benefits that he derives from it. And so we have a tendency for society to break up into groups and blocs and unions, of one kind and another, each striving to advance the interests of a few at the expense of the many, until the benefits of the system are impaired and to a great extent lost. Organization has developed until it defeats its own purposes, for the warring groups expend their energies in fighting each other. We have tied so many knots in the channels of circulation that society is threatened with strangulation.

The railroads are a great convenience for the interchange of products, but if either of the relatively small groups of people who happen to own or be employed upon them has a right to paralyze traffic at will, society is in a precarious situation. Our entire industrial and transportation system is dependent upon coal, and about 600,000 men have voluntarily undertaken the task of mining coal. Certainly they are entitled to considerate treatment at the hands of the public, but certainly, also, the great public is entitled

to considerate treatment at the hands of the miners, and where interests come into conflict neither side should ask to alone judge the case.

Now we cannot get along without the modern system of industry. The population of this country could not be supported in the state of comfort to which it is accustomed without it, not to speak of improving social conditions. In many respects the conditions of life tend to grow harder as population increases and the original stores of natural wealth are impaired. We have been exploiting the natural resources of a continent, a wealth of soil, of timber and of minerals that had been in preparation for thousands of years. We are feeling the pinch of scarcity and rising prices in many of these materials. We must make constant improvements in the methods of industry to offset this impairment of natural resources, or we shall have simply exploited this country and left nothing to those who come after us to compensate them for the harder task of making a livelihood which will confront them.

The truth is that it requires a higher order of intelligence, a higher sense of social responsibility to be a citizen in modern society than it did to be a citizen in a primitive society. The modern industrial system will break down, the system under which men devote their lives to research, or to acquiring skill in specialized industry, is impracticable, unless the spirit of co-operation prevails.

H. G. Wells, the English writer, returning from Russia, is profoundly pessimistic about civilization in Western Europe and the United States. He says that it is in a race between Education and Catastrophe. Certain it is that the possibilities of this highly organized society cannot be realized without a broader understanding of its material advantages. Since we all owe benefits to it, we all owe loyalty to it. We must exalt the interests of society as a whole against the claims of any part of it, for that in the long run is for the good of every part. We must bring everybody to know that there is a Unity of Modern Society, that the interests we all have in common are vastly more important than the interests that seem to be in conflict, and that there are economic laws and forces that safeguard the common welfare.

CAPITAL AND LABOR

THERE is a widespread belief held by many excellent people that, in the past, labor has not had its fair share of the benefits of industrial progress. But how does anybody know that the condition of the wage-earning class would be better today if more of the industrial product had been distributed in wages and less had been devoted to the development of industry? You cannot eat your cake and have it too. The industrial development of this country has been accomplished mainly by means of the industrial profits of the past. The industrial equipment of this country is superior to that of any other country, and as a result the production of our industries is higher per unit of labor than that of the countries of Europe and wages are higher than in those countries. If industrial profits had been lower the industrial development would have been lower, production would have been lower and the amount available for distribution as wages would be lower than it now is.

These accumulations of capital can do nothing without labor; every dollar of new capital means an increased demand for labor, and since capital in this country is always increasing faster than population, labor inevitably comes into a stronger position.

The great investments of capital which we see going on are all for the purpose of serving in some manner the masses of the population. There is no other use for capital. The demands of the rich are of small consequence; it is the wants of the millions that keep the wheels of business moving, and with all the investments of new capital and all the improvements in industry we have a constant increase in the output of commodities per head of population, and the only way these commodities possibly can be distributed is by such a continual readjustment of wages and prices as will enable the masses of the people to buy them. Industry would choke down and come to a standstill if the buying power of the people did not constantly increase.

Suppose you knew that the supply of wheat per head of the population would steadily increase from year to year, say from 5 bushels per head in 1922 to 5½ in 1923, 6 in 1924 and so on, do you think that any possible combination of capital could prevent the benefits of that abundance from reaching the masses? Some-

thing like that is going on normally all over the industrial world, and under such conditions you can no more prevent the benefits from reaching the masses than you can prevent the rivers from reaching the sea.

The security and rise of the masses happily does not depend upon the forbearance, the generosity, or the considerate favor of those who rank above them on the social or industrial scale. They come up because there are resistless and everlasting forces that make for equality among men.

There is an abundance of evidence of this, and it accords with the most treasured belief of mankind: that in the long run that which is right will prevail, that there is an integrity at the heart of things to which the universe is true.

You say that these natural laws are not known? No, and that constitutes a challenge to the leadership of the time. Ignorance is the limiting factor in social progress, and most of all, ignorance of mutual interests. It doesn't do much good to blame people for what they don't know. None of us like to be held closely responsible for what we don't know. The only real remedy for ignorance is knowledge, and the only remedy for the misunderstandings that affect society is in the gradual spread of enlightenment—as the morning dawn steals over the world.

And, after all, is it not a provision of Providence, wholesome and beneficent, that prevents any part of the community from getting very far in advance of the rest, without finding reason for exerting itself to bring the others up. You cannot protect the health of any part of this city without protecting the health of the whole city, and so you cannot provide for the security or advancement of any part of the community without providing for the security, the advancement and the enlightenment of all.

THE INTERDEPENDENCE OF THE INDUSTRIES

WE HAVE seen in the last two years a demonstration of the interdependence of the industries. There is a normal equilibrium in industry which must be maintained in order to have prosperity. All business in the last analysis consists of an exchange of products and services, and you cannot have full and free circulation

of goods or full employment for the people unless the relations between the various branches of industry are such that the products of each are taken by the people in the others.

Our relations with Europe are mainly through our exports of farm products, and in the Fall of 1920, owing to the break in the European demand, farm products suffered a rapid and heavy decline. It affected the buying power of the agricultural population and that in turn reacted upon all the other industries of the country.

The average value of the ten principal farm crops in 1913 was about $16 per acre, in 1919 it was about $35 per acre and in 1921 it fell to about $14 per acre, or about 12 per cent below the average of 1913. In the last year a substantial recovery has taken place, not yet complete, and I do not believe we can have full and sustained prosperity unless the farmer has his fair share.

For, with all the criticism aimed at the modern industrial system, the fact is that it is founded in equity; it functions in reciprocity and it doesn't work freely except on a basis of fair play.

When I lived out in this farming country I used to read a good deal about the "balanced ration." A balanced ration is one in which all the elements of nutrition required for a growing animal are present in the proper proportions, and it is a scientific fact that if any of the elements are in any degree deficient only that portion of the ration in which all are present in the required proportions will be assimilated. All the remainder will be ineffective and wasted, and the same law holds good throughout the economic organization.

THE INTERDEPENDENCE OF NATIONS

IT might be expected that the disappearance of Russia as an exporter of foodstuffs to Western Europe would be of great benefit to the United States, as a competitor. It has caused the prices of some farm products to rule above the pre-war level, but we know that on the whole the American farmer is not as well off as before the war. Western Europe was able to pay for Russian products with exports of manufactures and cannot pay us in the same way.

A curious reaction from the collapse of Russia is seen in the relations between that country and India. India is a great tea-producing country and Russia formerly was a great tea-consuming country. India did not trade directly with Russia. She took her pay for the tea in cotton goods and other exports from Great Britain, and Great Britain took pay from Russia for the tea in foodstuffs and raw products. It was three-cornered trade. The inability of Russia to take the Indian tea affected the ability of India to take cotton goods from England, the falling off in the demand for cotton goods made 1921 the worst year the British cotton goods industry had experienced since the American Civil War, and the inability of England to sell cotton goods sent the price of raw cotton in the United States from 43 cents a pound in 1920 to 11 cents in 1921, and that decline in the principal product of our Southern States affected all the industries of this country.

THE REPARATIONS QUESTION

THE crux of the world situation to-day is in the reparations question. We all sympathize with France in her desire to recover as much as may be of the expenditures she has been obliged to make on account of the devastation wrought by the German armies. There are, however, difficulties about the payment of great sums in another country and another money that are not always considered. It is natural that the world should be skeptical of German claims of inability to pay, but there are some features of the situation of which we have knowledge quite independent of Germany. We know that the reparations payments cannot be made in money. Money is a great convenience, an indispensable factor in modern life, and we are so accustomed to think of payments in terms of money that we sometimes forget that it is only a convenience, only a medium, and not the final consideration. In great payments between countries it is not even the medium.

We know that Germany cannot make the reparation payments in gold, for the total amount of the German gold reserves equals only about $250,000,000, an insignificant sum compared with any amount talked of as reparations. Moreover, if Germany is ever to

make any large payments the German industries must have a sound monetary system to rest on, and they need all the gold they have as the basis of monetary reform.

And if Germany cannot pay in gold, neither can she pay in the German paper currency. That has no value abroad and very little at home. The only way in which Germany can make important payments is by exporting the products of her industries, selling them in foreign markets, and devoting the surplus of exports over imports to the reparation payments.

If you were to go through Germany today you would see a great many signs of wealth. You would see splendid cities, great industries, rich farming districts, mines and water-powers, railways, and, in short, all the equipment of a great industrial country, and you would be likely to say, as others have said, "these people are rich; they can pay." But none of these fixed properties can be moved out of Germany for payment upon the reparations. Only the products of these industries and resources can be moved out; only commercial goods that can be offered and sold for use outside of Germany.

It has been suggested that the railroads, which are owned by the Federal Government, might be turned over to the Allies, but they could not be moved out of Germany. They would have to be kept there and utilized in the service of the German people. Moreover, the railroads have been a liability rather than an asset in recent years. It has been difficult for the owners of railroads anywhere in the world to meet the demands of the public on the one hand and the employees on the other, and save any profit for themselves. However, suppose the railroads were turned over, and were operated successfully, the profits would exist in the treasuries of the companies in the form of German paper currency, and the only way it could be converted would be by using it to buy German products which could be shipped out and sold in foreign markets.

And so you may go around and around this subject and examine it at every angle, and you will have to come back to the same conclusion, that the reparations can be paid only with the proceeds of German exports. Now, when we have reached the point where we visualize these payments in goods instead of money we will begin

to appreciate some of the difficulties. What German goods are wanted in foreign countries in such quantities—far exceeding German exports at any time in the past? There is an approximate equilibrium between supply and demand throughout the world which all countries are unwilling to have disturbed.

It would seem that a very appropriate and also practicable method of making payments would have been to have the German Government undertake the active work of reconstruction, with German labor and German materials, which might be paid for with German currency. As a matter of fact the German Government has been carrying on a large amount of construction work in Germany, and the question is often asked, why, if Germany could afford to make such expenditures at home it could not pay reparations. The difference is that reparations cannot be paid in German currency.

It must be said for the German Government that it offered to open negotiations to do reconstruction work soon after the Treaty of Peace was signed, but the proposal was not popular in France. The attitude of the French people upon it is perfectly understandable. They said, "We don't want Germans doing this work. We have had enough of the Germans in France. We want this work for our own people, and we want the Germans to pay for it." It was not until over two years after the war that the French Government considered it practicable to negotiate for the use of German materials in the reconstruction work. I do not say this in criticism, but only as showing the difficulties of the situation and the want of popular understanding.

The British have always been liberal in trade relations. Free trade has been the national policy for a long time, but the British people frankly say that they do not want unusual quantities of German goods brought in the home market to compete there with British goods, and they have passed what is known as an act for "Safeguarding the Industries," and intended particularly for the protection of what they call "key" industries against German competition.

The other countries of Europe, including the new nations created out of the Austrian empire, have generally taken the precaution of raising tariff barriers, the main consideration being protection against a flood of goods from Germany.

Before the war Germany had a large market in Russia, but that of course is gone.

The United States is the greatest market in the world, but do you have any idea that this country is willing to accept great quantities of goods from Germany as a means of effecting payments upon the reparations. The tariff act passed a few months ago is the answer. We know that in its consideration the purpose to prevent an inundation of German goods was constantly in view.

So we see that the payment of reparations involves not only the capacity of the German industries to produce goods for export in the quantities required, and the willingness of the German people to give their labor for this purpose, but it involves the willingness of other countries to buy and pay for the goods, regardless of the effects they may think they will have upon their trade balances or upon financial and industrial conditions within their own borders.

Now, I would not have you think that I am making an argument in behalf of Germany or that I hold the opinion that Germany should be let off scott-free. That is not my attitude. My sympathies are with France, but we must be on our guard against allowing our judgment to be biased by either our sympathies or our interests when dealing with economic questions. I am only trying to point out the difficulties that arise from failure to recognize that the interests of nations are fundamentally harmonious and reciprocal. We get into trouble whenever we act upon any other theory.

It is no answer to say that Germany would have made even greater demands if she had been victorious. If Germany thought she could gain anything by overrunning her neighbors she made a colossal mistake. The war would have been a blunder and a calamity to her even if she had been victorious, as in fact it was for the victors and for the neutral nations as well, because of the waste of life and property and disorganization of industry.

And if it was impossible for Germany to gain by the ruin of her neighbors, no more can any other country do so. Germany unquestionably has the ability to pay important sums by means of her industries, but to do so the industries must have a chance to function. the people must have an incentive to labor, and the rest of the world must take Germany back into the industrial circle and make a place for her products.

FOREIGN INDEBTEDNESS TO THE UNITED STATES

AND when it comes to the indebtedness of the European governments to the government of the United States, we are in precisely the same position as the Allied Governments with regard to the reparations. The indebtedness to the United States cannot be paid in money. It cannot be paid in gold, and we would not want it so if it could be. We have more than our share of the world's gold now. If the exchanges of the world are ever to be stabilized, if the trade of the world is ever to be restored to a normal basis, the currencies of other countries must be stabilized, and they are needing all the gold they have, and more, as the basis of their monetary systems. The value of the gold standard to us is largely in having a common standard with other countries. Any additional gold that we might get through payments upon these debts would be worth more to us if used for stabilizing the currencies of Europe than in our own reserves. We have more gold than we need now; if we were to expand credit to correspond with the gold reserves we already have we would have another period of inflation, raising prices in this country and reducing our exports, thus leading to an inevitable collapse, and have to go through all the agony of deflation over again. We are interested in re-establishing the trade and business of the world upon a stable basis.

Well, if we do not want the debts paid in gold, do we want them paid in goods? I am fairly liberal upon the subject of normal, mutually advantageous, trade—the current exchange of goods for goods.

The trouble is that the payment of these debts would not be normal trade, or current trade. It would be a great one-way movement. These debts were not created in normal trade. They were created by a great one-way movement, and never could have been created otherwise. The whole situation is abnormal, and therein lies the difficulty of dealing with it. Little is to be feared from any gradual and normal development in trade; natural trade is a balanced trade, but unusual importations would disturb the balance, disorganize industry, and might cost more than they came to. Business above everything else wants stability. The Congress undoubtedly has wanted the debts paid, but has passed a tariff act calculated to curtail rather than encourage imports.

Now, I never have advocated the cancellation of the debts, but I do not think we can with fair face insist upon their payment and decline payments by the only means by which they can be made.

I have not advocated the cancellation of the debts because it has seemed to me that that problem belonged to the future rather than the present. At the close of the wars with Napoleon the debt of Great Britain seemed to be a crushing one, but with the industrial development of England it soon became a negligible factor. I have never felt that I could see far enough into the future to take the responsibility of urging outright cancellation. But even though we cannot foresee the future, there are evident reasons for not pressing for the collection of these debts now.

The industries of the debtor countries are depressed, the earning power of their people is low; they are not buying our products as freely as we would like, or as freely as they would like to. There is danger that their purchases may be still further curtailed. The community of interest among nations is such that we cannot afford to press them to sacrifices that would lower the standard of living of the people or retard their industrial recovery. We are more interested that the countries of Europe shall continue to take their accustomed quantities of our products than that they shall pay their debts to the United States Government. There isn't a cross-roads banker or merchant in Oklahoma who when a drought strikes the state and destroys the crop does not know that he must carry his customers until they make a crop, and Europe has lost the equivalent of several crops.

There is one qualification of the statement about cancellations. The Premier of Great Britain, in a statement preliminary to the last Council of Premiers, said that great as were the burdens Britain was bearing, for the sake of a final settlement, of the Reparations and all, the government was willing to consider concessions upon its claims against France.

"For the sake of a Final Settlement," he said. The United States is interested in the European situation. It affects the value of every bushel or pound of our farm staples, and—voicing my

individual opinion only—for the sake of a final settlement I would be glad to have the United States join in common concessions for accomplishing it.

THE BRITISH SETTLEMENT

WE have reached a settlement with Great Britain. I think we ought to take off our hats to the manner in which she has walked up to the Captain's office, acknowledged her obligation and agreed to the conditions we have fixed. The British are a great commercial people; they are accustomed to pay, at any cost, but I think we should recognize also a very sincere desire to maintain good relations with this country.

I have no wish to criticise the settlement. Certainly the bargain is all that could be reasonably wished on our side, and probably as liberal to the debtor as it could have been made, and receive the approval of Congress and the country. Frankly, I am not clear as to the wisdom of attempting to fix the date of payments before the world is back nearer to normal conditions. Conceding the ability of Great Britain to raise and collect into her treasury the equivalent of the sums agreed upon, which she doubtless can do, the question of how those sums shall be converted into dollars in the United States Treasury remains. If Great Britain sends us gold or goes into the markets of the world to buy exchange on the United States, what will the influence be? There isn't exchange enough to go around now among the people who are wanting to buy American products, and the act of acquiring exchange to make payments upon the indebtedness must involve competition for the limited supply. It is to be considered, however, in connection with the influence upon exchange that Great Britain has been given the option of postponing all payments upon the principal for three years and of funding one-half of the interest accruing in the first five years.

THE EXAMPLE OF CANADIAN EXCHANGE

THE influence of exchange rates upon trade is something that everybody does not consider. Perhaps some of you gentlemen had experience doing business with Canada when exchange on the United States commanded a premium of 15 to 18 per cent

in Canada. The balance of trade between this country and Canada for several years was around $300,000,000 per year in favor of this country, and our trade relations elsewhere were such that Canada could not shift credits to settle the account. The sum was so great that Canada could not give gold in settlement, and the Canadian government put an embargo upon exports of gold. The demand in Canada for means of payment in the United States so greatly exceeded the supply that exchange commanded premiums ranging up to 18 per cent. That situation had several curious reactions. Some of our Canadian friends regarded it as a reflection on their credit. One distinguished public man declared that for his part he would not buy 5 cents worth of goods of a country that did not treat the Canadian dollar fairly. But the premium was not caused by anything done in this country. It was caused by the competition among the Canadians themselves for the means of making payments in the United States. The Canadian gold dollar is the own brother of our gold dollar, and it never has been discounted in this country. The Canadian paper money never was intended to circulate outside of Canada. It could not be used in this country. You could not pay debts with it, you could buy goods with it, you could not pay labor with it, you couldn't pay taxes with it—and that is one of the principal uses of money nowadays!

The situation was not to our advantage; it penalized exports from this country to Canada and put a premium upon exports from Canada to this country. It was a beautiful example of the efforts of economic law to maintain the equilibrium, and a demonstration that no situation is enduring unless the advantages are mutual.

OUR TRADE INTERESTS WITH CANADA

AND speaking of Canada, surely there is no country with whom we should be more desirous of good relations than with this neighbor, with whom we have 4,000 miles of boundary without a fortress or a gun. What can be the gain to us from the new barriers that we have placed against the sale of Canadian products in our markets? Western Canada grows young cattle, but does not grow corn to fatten them. They have been coming down to the St.

Paul and Chicago markets, from whence they have been sold as feeders to our farmers. Eventually they have come back to these markets, been slaughtered in our packing houses, made freight for our railroads and have either been shipped to foreign markets or released cattle of our own growing for such shipments. Now we have put a duty of 1½ cents per pound on such cattle. They probably will continue to be fattened upon our corn, but in Canada, and move over Canadian railroads, and through Canadian packing establishments to foreign markets, where they will compete with our cattle as truly as before.

What is to be gained by the duty on wheat, when Canadian and American wheat moving out daily over parallel routes are finally sold in foreign markets in open competition and at prices which are reflected back over every stage of the journey from the local markets and farms on both sides of the line. Why should we attempt to maintain the fiction of an independent and protected market for wheat, when a rainstorm in Argentina or Australia will affect prices in Chicago!

We know from experience, that practically every dollar's worth of products that Canada sells in this country is used here for the purchase of our products. Is there any reason why such a relationship should not be as beneficial as a similar relationship between our own states?

THE FUNDAMENTAL FACT IN ECONOMIC RELATIONSHIPS

IN conclusion I would reaffirm that the fundamental fact in world relationships and in all economic relationships is this mutuality of interests. Unfortunately, there is only a faint comprehension of it, and because this is so we have a world of rivalries and antagonisms which from time to time break out in war. The responsibility for war does not always belong to the nation that fires the first gun. The spirit of war may be developed in mistaken ideas about national interests. If nations believe that their fundamental interests are in conflict, that there is an irreconcilable rivalry and struggle for existence, if people believe that the future of their country and of their children is at stake, of

course they will fight; nothing else is to be expected; war is inevitable.

But that view is all wrong. It over-emphasizes the idea of competition. It has its origin in a chronic fear of over-production, and there can be no such thing as general over-production. Unbalanced production there can be; we have been suffering from it, but general over-production there cannot be, so long as human wants are unsatisfied.

One of the grievances we have against the labor organizations is that they sometimes restrict the output, acting upon the theory that there is only a given amount of work to be done, and the longer they can make it last and the more they can make it pay in wages the better. That is a mistaken theory, but it is no different from the theory of statesmen and business men in their exaggerated anxiety that there will not be business enough to go around. The truth is that there is no limit to the amount of work to be done in the world, or to the amount of business to be had, or to the amount of wealth that may be created from the resources of nature. The purchasing power of every country is in its own powers of production, and the greatest prosperity that can be attained by any country under the modern industrial organization is found in connection with the highest state of prosperity in every other country.

The problem of society is to so organize, co-ordinate, integrate, and balance, the industries of all countries as to obtain the greatest possible production of all the things that minister to the common comfort and welfare. That is the great appeal to the enlightened and constructive forces of the world.

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